



A. O. Smith Agrees to Acquire Majority Interest in Tianlong Holding Co. Water Treatment Business

Milwaukee, Wis. - A. O. Smith Corporation has signed an agreement to purchase a majority interest in the water treatment business of Tianlong Holding Co. Ltd. of Hong Kong.

A newly formed company, A. O. Smith (Shanghai) Water Treatment Products Co. Ltd., will hold the assets of the business and supply reverse osmosis (RO) water filtration products to the China residential and commercial markets as well as export markets throughout the world.

This new company will be a wholly owned foreign enterprise under Chinese law. A. O. Smith will pay approximately \$77 million (U. S.) for an 80 percent share of the new company. The investment will be funded out of A. O. Smith's existing cash flow and credit facilities, and the company is expected to earn in excess of its cost of capital in the first full year under A. O. Smith's ownership. Within three years, the company expects to have a business that will generate over \$100 million in sales with double-digit operating profit. The transaction is expected to close in the fourth quarter of 2009 subject to meeting customary closing conditions.

"We are excited about investing in the leading residential and commercial water purification company in China," Paul W. Jones, chairman and chief executive officer of A. O. Smith Corporation, said. "Entering the water treatment industry has been an important strategic initiative for A. O. Smith, and, in Tianlong, we have an experienced and well regarded partner who understands the market."

"One of the biggest issues facing much of the world is securing clean drinking water, and Tianlong has experienced significant growth over the last several years meeting this demand. We expect customer demand will continue to grow in the future. We also believe water treatment and filtration complement our existing water heating business, particularly in Asia."

Tianlong, with operations in China, manufactures reverse osmosis appliances, reverse osmosis elements, water softeners, industrial and commercial water treatment equipment, filters, and components. The company markets its products under multiple brand names in China, including Chanitex, Pucakon, Datangwi, Lintangniao, Zhichenhe, and Yongxianglai, and exports to more than 30 countries around the world.

Within 12 months of the close of the transaction, A. O. Smith plans to introduce a line of water treatment products in China to be sold under the A. O. Smith brand name. "This expansion will enable us to take advantage of the strength of the well-known A. O. Smith brand as well as our extensive distribution network," Jones pointed out. "Many of our major customers in China want us to expand our product line, and water treatment helps to fill the need. We also expect sales of consumables to increase as the installed base of product grows over time."

Forward-looking statements

This release contains statements that the company believes are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the use of words such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," "forecast," or words of similar meaning. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated as of the date of this release. Factors that could cause such a variance include the following: significant volatility in raw material prices; competitive pressures on the company's businesses; inability to implement pricing actions; negative impact of future pension contributions on the company's ability to generate cash flow; instability in the company's electric motor and water products markets; further weakening in housing construction; further weakening in commercial construction; a further slowdown in the Chinese economy; expected restructuring savings realized; further adverse changes in customer liquidity and general economic and capital market conditions; or the impact of acquisition accounting or non-GAAP financial measures on the company's financial statements. Forward-looking statements included in this press release are made only as of the date of this release, and the company is under no obligation to update these statements to reflect subsequent events or circumstances. All subsequent written and oral forward-looking statements attributed to the company, or persons acting on its behalf, are qualified entirely by these cautionary statements.

A. O. Smith Corporation, with 2008 sales of \$2.3 billion, is a global leader applying innovative technology and energy-efficient solutions to products marketed worldwide. The company is one of the world's leading manufacturers of residential and commercial water heating equipment, offering a comprehensive product line featuring the best-known brands in North America and China. A. O. Smith is also one of the largest manufacturers of electric motors for residential and commercial applications in

North America.